

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services



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# Medicare Physician Fee Schedule

PAYMENT SYSTEM FACT SHEET SERIES





**T**his publication provides the following information about the Medicare Physician Fee Schedule (PFS):

- ❖ Physician services;
- ❖ Medicare PFS payment rates;
- ❖ Medicare PFS payment rates formula; and
- ❖ Resources.

## Physician Services

Medicare Part B pays for physician services based on the Medicare PFS, which lists the more than 7,400 unique covered services and their payment rates. Physicians' services include the following:

- ❖ Office visits;
- ❖ Surgical procedures;
- ❖ Anesthesia services; and
- ❖ A range of other diagnostic and therapeutic services.

Physicians' services are furnished in all settings including:

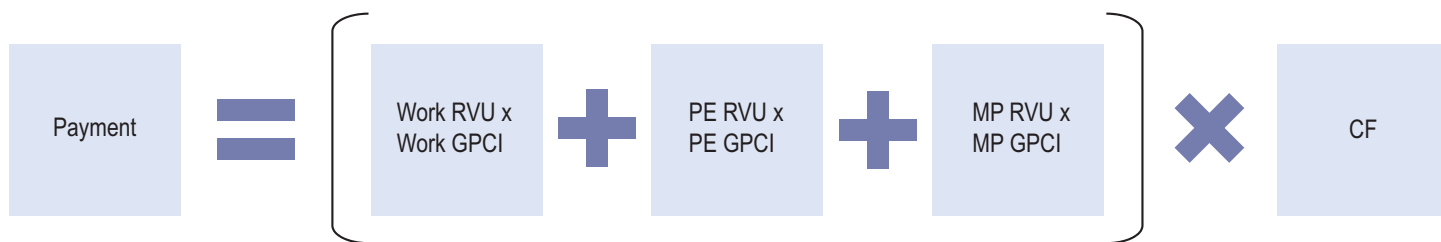
- ❖ Physicians' offices;
- ❖ Hospitals;
- ❖ Ambulatory Surgical Centers;
- ❖ Skilled Nursing Facilities (SNF) and other post-acute care settings;
- ❖ Hospices;
- ❖ Outpatient dialysis facilities;
- ❖ Clinical laboratories; and
- ❖ Beneficiaries' homes.

## Medicare PFS Payment Rates

Payment rates for an individual service are based on the following components as shown in the Medicare PFS payment rates formula on page 3:

- 1) Relative Value Units (RVU);
  - ❖ Work RVU;
  - ❖ Practice expense (PE) RVU; and
  - ❖ Malpractice (MP) RVU;
- 2) Conversion Factor (CF); and
- 3) Geographic Practice Cost Indices (GPCI).

## Medicare PFS Payment Rates Formula



Each component of the Medicare PFS payment rates formula is discussed in more detail below.

### 1) Relative Value Units (RVU)

Three separate RVUs are associated with the calculation of a payment under the Medicare PFS:

- ❖ **Work RVUs** reflect the relative levels of time and intensity associated with furnishing a Medicare PFS service and account for approximately 50 percent of the total payment associated with a service. By statute, all work RVUs must be examined no less often than every 5 years. As noted in the calendar year (CY) 2010 Medicare PFS final rule, the fourth 5-year review of work was initiated in 2009. Changes to work RVUs resulting from this review are effective beginning in CY 2012. In addition, beginning in CY 2013, the 5-year review of physician work process is consolidated with the misvalued codes initiative to allow for ongoing annual public input from interested stakeholders who can nominate codes to review;
- ❖ **PE RVUs** reflect the costs of maintaining a practice (for example, renting office space, buying supplies and equipment, and staff costs); and
- ❖ **MP RVUs** represent the remaining portion of the total payment associated with a service. The second 5-year review of MP RVUs was completed in CY 2009.

### 2) Conversion Factor (CF)

To determine the payment rate for a particular service, each of the three separate RVUs is

adjusted by the corresponding GPCI. The sum of the geographically adjusted RVUs is multiplied by a dollar CF. The statute specifies the formula by which the CF is updated on an annual basis.

The formula specifies that the update for a year is equal to the Medicare Economic Index (MEI) adjusted up or down depending on how actual expenditures compare to a target rate called the Sustainable Growth Rate (SGR). The MEI is a measure of inflation faced by physicians with respect to their practice costs and general wage levels.

The SGR is calculated based on medical inflation, the projected growth in the domestic economy, projected growth in the number of beneficiaries in Fee-For-Service Medicare, and changes in law or regulation. However, in recent years Congress has taken action to establish a specific update amount. For CY 2013, this action resulted in a CF of \$34.0230.


### 3) Geographic Practice Cost Indices (GPCI)

GPCIs are adjustments that are applied to each of the three relative values used in calculating a physician payment, as described above. The purpose of these adjustments is to account for geographic variations in the costs of practicing medicine in different areas within the country. The Centers for Medicare & Medicaid Services (CMS) is required to update the GPCIs every 3 years and phase in any changes over 2 years. For CY 2013, Congressional action established a minimum work GPCI of 1.

## Resources

The chart below provides Medicare PFS resource information.

### Medicare Physician Fee Schedule Resources

For More Information About...	Resource
Medicare Physician Fee Schedule	<a href="http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched">http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched</a> on the CMS website
Medicare Learning Network® (MLN) publication titled “How to Use The Searchable Medicare Physician Fee Schedule (MPFS)”	<a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/How_to_MPFS_Booklet_ICN901344.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/How_to_MPFS_Booklet_ICN901344.pdf</a> on the CMS website
Physician Fee Schedule Search Tool	<a href="http://www.cms.gov/apps/physician-fee-schedule">http://www.cms.gov/apps/physician-fee-schedule</a> on the CMS website
Medicare Physician Fee Schedule Federal Regulation Notices	<a href="http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched/PFS-Federal-Regulation-Notices.html">http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched/PFS-Federal-Regulation-Notices.html</a> on the CMS website
All Available MLN Products	<p>“Medicare Learning Network® Catalog of Products” located at <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLNCatalog.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLNCatalog.pdf</a> on the CMS website or scan the Quick Response (QR) code on the right with your mobile device</p> 
Provider-Specific Medicare Information	MLN publication titled “MLN Guided Pathways to Medicare Resources Provider Specific Curriculum for Health Care Professionals, Suppliers, and Providers” booklet located at <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_Booklet.pdf">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_Booklet.pdf</a> on the CMS website
Medicare Information for Beneficiaries	<a href="http://www.medicare.gov">http://www.medicare.gov</a> on the CMS website



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